

Testimony of Lorenzo Biagi
President of Marcegaglia U.S.A. Inc.
Welded Stainless Steel Pipe and Tube from Korea and Taiwan
731-TA-540-541
Second Sunset Review

Good morning Chairman Koplan and members of the Commission. For the record my name is Lorenzo Biagi and I am the President of Marcegaglia U.S.A. Inc. I have been in the stainless pipe industry for 14 years and I have been in my current position for 3 years. I am accompanied today by Dave Cornelius, our Chief Financial Officer. Dave has been with the company for 11 years.

As you might have guessed, Marcegaglia is headquartered in Italy. We are one of the largest producers of welded pipe and tube in the world, with numerous plants in Western Europe, Eastern Europe, South America, and the United States. We produce welded stainless pipe and tube in Italy and the United States.

In 1992, Marcegaglia purchased Bishop Tube, a producer of stainless boiler, condenser, and heat exchanger tubing located in Frazier, Pennsylvania. In 1993, Marcegaglia purchased Damascus Tube out of the bankruptcy proceedings involving Sharon Steel Corporation. Damascus was primarily a producer of A-312 pressure pipe. In 1999, we moved the Bishop welding mills from Frazier, Pennsylvania to Homestead after purchasing buildings in what had been the U.S. Steel Homestead works. We planned to operate facilities at Homestead and in Greenville, Pennsylvania. However, in part because of high import levels, we closed the former Damascus facility in Greenville, Pennsylvania in 2002 and we moved some of the former Damascus mills to Homestead. While some workers from Greenville took positions in Homestead, overall, the company suffered a net loss of 110 jobs with the closure of the Greenville plant.

We only produce continuous welded products up to 12 inches in outside diameter. As members of your staff saw during a plant visit in May, in one bay of the building we produce ASTM A-312 products using primarily TIG welding techniques. In another bay we make primarily boiler, condenser and heat exchanger tubing to the A-249 and A-269 specifications using laser welding techniques.

You may have heard this before, but essentially pipe, like ASTM A-312 is a commodity product and is generally used in piping systems. Tubing, like A-249 and A-269 is ordered by customers based on their requirements and specific end uses in boilers, condensers, and heat exchangers. The tubing products are made to much tighter tolerances than are the pipe products. But for our strong sales of tubing, in which we see very low import competition, our company would face the prospect of operating in a continuous loss position.

While producers measure production of welded carbon pipe products in terms of feet per minute, stainless pipe and tube production is measured in terms of inches per minute. This is an extremely hard product to work in the mill. Rollers for forming the stainless pipe are made out of tool steel, and welding the edges of the stainless flat-rolled into pipe and tube products is both energy intensive and very time consuming.

As an international company, we are very aware of stainless flat-rolled prices on an international basis. We believe that we purchase stainless flat-rolled on a competitive basis. Given that we are a highly efficient producer and that labor costs constitute only about 10% of our total production costs, we believe that we should be competitive with Korean, Taiwanese, and Chinese products if they are traded fairly.

For these reasons, we believe that if this Commission were to revoke the orders on ASTM A-312 products from Korea and Taiwan that we would see increased imports from Korea and Taiwan in addition to the existing very high levels of imports in the market place. These new increased imports would cause our production levels to fall further, would increase pricing and profitability pressures and would lead to further job losses. On behalf of our 135 employees at Marcegaglia U.S.A. Inc. we respectfully request that this Commission make affirmative determinations. Thank you for the opportunity to testify here today. We would be happy to answer your questions.